

Message Text

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ACTION COME-00

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R 051620Z JUL 74

FM AMEMBASSY NOUAKCHOTT

TO AMEMBASSY YAOUNDE

INFO SECSTATE WASHDC 2414

AMEMBASSY DAKAR

AMEMBASSY ABIDJAN

AMEMBASSY COTONOU

AMEMBASSY LOME

C O N F I D E N T I A L NOUAKCHOTT 879

EO 11652: GDS

TAGS: ETRD BBAK CM MR

SUBJECT: LANG ENGINEERING CORPORATION

REF: YAOUNDE 2084

SUMMARY: LANG PERFORMANCE ON NOUAKCHOTT SUGAR REFINERY PROJECT HAS BEEN SO FAR UNIMPRESSIVE AND PROJECT HAS BEEN PLAGUED WITH PROBLEMS FROM THE OUTSET. BECAUSE ORIGINAL LANG COST ESTIMATES TOO LOW, COMPANY WAS OBLIGED NEGOTIATE 24 PERCENT INCREASE. LATER ENTIRE JOB SUBCONTRACTED TO ANOTHER ISC AFFILIATE, J. F. PRITCHARD OF KANSAS CITY. PRITCHARD IS UNDERTAKING CONTRACT ONLY RELUCTANTLY AND CONSTRUCTION, DUE TO BE COMPLETED BY SEPTEMBER 1975, HAS YET TO GET UNDERWAY.

1. LANG SIGNED NOUAKCHOTT SUGAR REFINERY CONTRACT WITH GIRM IN MAY 1973. THIS TURN-KEY PROJECT ORIGINALLY COSTED OUT AT DOLLARS 10 MILLION FOR SUGAR PROCESSING FACILITY OF 30,000 MT CAPACITY PER YEAR. ORIGINAL CONTRACT CONTAINED NO EXCALATOR CLAUSE AND WHEN IT BECAME APPARENT THAT ORIGINAL COST ESTIMATES WERE TOO LOW, LANG NEGOTIATED 24 PERCENT PRICE INCREASE AND THREE MONTH TIME EXTENSION. EVEN THIS INCREASE WILL NOT, WE UNDERSTAND, COVER INFLATIONARY COST HIKES AND
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PROJECT IS LIKELY TO BE A MONEY LOSER FOR ISC.

2. IMMEDIATELY FOLLOWING PRICE HIKE NEGOTIATIONS (JAN 74), WE DISCOVERED THAT LANG PARENT COMPANY ISC WAS 1) FIRING LANG CHIEF EXECUTIVE ROBERT TEMPLE AND 2) TURNING CONTRACT OVER TO ANOTHER SUBSIDIARY (J. F. PRITCHARD) FOR EXECUTION. AT THAT POINT, IT BECAME APPARENT THAT LANG WAS IN DEEP DIFFICULTY WITH ITS AFRICAN OPERATIONS, PARTICULARLY IN THE IVORY COAST. COMPANY HAD OVEREXTENDED ITSELF IN TERMS OF AVAILABLE ENGINEERING, DESIGN AND MANAGEMENT TALENT, AND IN TERMS OF CAPITAL AS WELL. WE LATER LEARNED CONFIDENTIALLY THAT LANG HAD USED OVER ONE MILLION DOLLARS IN ADVANCE PAYMENTS FOR NOUAKCHOTT PROJECT TO BUY MATERIALS FOR IVORY COAST PROJECT. THOUGH THERE IS NOTHING ILLEGAL IN SUCH TRANSFER. LANG COULD NOT APPARENTLY MAKE UP THE SHORTFALL IN NOUAKCHOTT PROJECT FUNDS, A FACTOR WHICH WEIGHED HEAVILY IN ISC DECISION SUBCONTRACT CONSTRUCTION TO PRITCHARD.

3. AS A RESULT OF THE ABOVE AND OTHER PROBLEMS, TOO COMPLICATED TO ENUMERATE IN A BRIEF SUMMAY TELEGRAM, WORK ON NOUAKCHOTT SUGAR REFINERY CONSTRUCTION IS NOT YET STARTED. WE UNDERSTAND THAT PRITCHARD HAS, HOWEVER, COMPLETED DESIGN WORK AND IS BEGINNING TO PURCHASE MACHINERY. CURRENT STATUS OF THE PROJECT IS NONETHELESS UNCLEAR. THE SOLE PRITCHARD REPRESENTATIVE STATIONED AT NOUAKCHOTT HAS BEEN OUT OF TOWN (WORKING, WE SUSPECT, IN THE IVORY COAST) FOR THE PAST THREE WEEKS. THE LAST TIME WE TALKED TO HIM, HE COULD NOT EVEN GIVE A DATE FOR BEGINNING SITE PREPARATION, THOUGH HE DID REITERATE THAT REFINERY CONSTRUCTION WAS STILL SCHEDULED BEGIN IN JANUARY 1975. WE HOPE HE IS RIGHT.
SHURTLEFF

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